

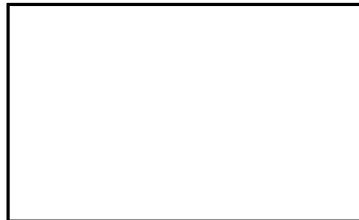
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_____ NATIONAL INTELLIGENCE DAILY CABLE _____

_____ Thursday December 30, 1976 _____ CI NIDC 76-304C _____



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National Intelligence Daily Cable for Thursday December 30, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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PERU-CHILE: Potential for Conflict

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[REDACTED] //The arms imbalance between Peru and Chile has increased steadily since December 1974, with recent major expenditures by Peru for armor, aircraft, air defense systems, and warships adding to bilateral tensions. Chile is especially apprehensive because it has been outstripped by Peru in acquisitions of all but naval materiel.//

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[REDACTED] //Despite the buildup, both Peru and Chile remain defensive. The unresolved issue of a Bolivian corridor to the Pacific, however, as well as increasing emotion with the approaching centenary of the 1879 war in which Chile defeated Peru and Bolivia, will probably add to tensions.//

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[REDACTED] //The *Daily* below prints excerpts from the concluding section of an Interagency Intelligence Memorandum issued today entitled "Peru and Chile: Reassessment of the Potential for Conflict."//

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[REDACTED] //Peru's continuing faulty perception that Chile is able and willing to wage war has made Peruvians feel defensive, contributed to nationalistic sentiment, and increased the possibility of a Peruvian miscalculation. Some Peruvian officers continue to believe that the US is secretly arming Chile. Nevertheless, we do not believe that Peru or Chile, particularly the latter, would initiate hostilities in the next year.//

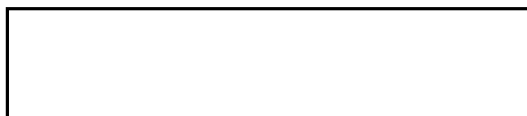
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[REDACTED] //Chile probably would not attack Peru under any circumstances. With serious economic problems, both countries are focusing heavily on domestic concerns and must cultivate the good will of international trade and finance groups. An accidental border conflict, as opposed to deliberate attack or provocation, also seems less likely than two years ago since each side is aware of the risk and has taken steps to minimize it.//

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[REDACTED] //We believe continued inability to resolve the corridor issue at present offers the most likely potential cause of a breakdown in relations between Peru and Chile. Moreover, as Peru continues to acquire sophisticated military hardware and pursues its plan to double the army's strength in the next two years, the possibility for miscalculations will increase.//

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[] //The Chileans would not in our judgment seek a confrontation over the corridor, but their recent refusal to discuss the Peruvian counterproposal indicates that neither will they permit Peru to impose conditions. Some Chilean officers are in fact convinced that the Soviet Union is encouraging Peru to use the corridor issue to provoke a clash with Chile.//

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[] //Our July 1974 Memorandum on the Peru-Chile border question discussed some implications this issue held for the United States. These implications have changed insofar as US policy is affected by recent Peruvian arms purchases from the Soviet Union and the Chilean record in human rights practices.//

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[] //In addition, the increased importance of the Bolivian corridor question raises the possibility of US involvement as an arbiter. The 1929 treaty establishing the Peru-Chile border stipulated that the US President would settle any dispute over provisions of the treaty. The US government was not a party to the treaty and has never officially accepted the role of arbiter, but this does not negate the possibility that one or more parties might appeal to the President.//

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[] //While it is evident that, out of mutual self-interest, both Peru and Chile should welcome improved relations, the particular issues separating them are coupled with general notions of nationalistic pride. Resolution of their differences is further complicated by the positions of Bolivia and Ecuador.//

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[] //Aside from the difficult corridor question, the Bolivians are determined not to be victimized in a Chilean-Peruvian clash and are acquiring new weaponry to strengthen their defenses. They might even join in the conflict if they thought they could thereby secure an outlet to the sea.//

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[] //The government of Ecuador is displeased with Peru's refusal to renegotiate the boundary in the Amazon region, and according to one report might conceivably side with Chile in the later stages of any clash with Peru, thus compelling the Peruvians to fight on two fronts.//

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[redacted] //The arms buildup will continue throughout the area, and miscalculation or misperception on the part of Chile or Peru could conceivably lead to conflict. Nevertheless, both sides remain defensive. There appears to be little possibility that either country will initiate hostilities over the next year.

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US-USSR: Relations

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[redacted] Soviet comments on the incoming US administration are focusing on the strategic aspects of Soviet-US relations. General Secretary Brezhnev's endorsement of a summit meeting with President-elect Carter, which was reported yesterday by Tass, implies that the date for such a meeting may depend on ending the current impasse in negotiations on strategic arms limitations.

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[redacted] Several weeks ago, Soviet media appeared to be cautioning that a new administration in the US would not necessarily mean progress for Soviet-US relations. In a *Pravda* article on December 11, Georgiy Arbatov--the head of the USA Institute--referred to a new skepticism in the US about Soviet policy and concluded that trends during the US Presidential campaign could complicate future relations. The institute's journal carried articles in its December issue describing a "considerable shift to the right" in the US away from cooperation with Moscow.

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[redacted] Now Arbatov places more emphasis on optimism about Soviet-US ties than on problems raised during the campaign, which he called "imaginary" and "unessential." In English-language broadcasts on Tuesday, he referred to US public opinion polls strongly favoring the easing of East-West tensions; on December 11, he had said the polls were pointing toward "increased distrust" of the USSR.

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[redacted] Current Soviet commentary on the incoming administration appears to be more evenhanded on individuals who have previously been criticized in Soviet media, particularly Zbigniew Brzezinski. Yesterday's *Pravda* cited Brzezinski's support for SALT; other Soviet reporting has cited President-elect Carter's

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[redacted]

pledge to give priority attention to strategic matters. The President-elect's support for a weapons freeze has been referred to as an example of a "positive attitude" toward negotiations to limit nuclear weapons.

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[redacted] Brezhnev's remarks on future Soviet-US relations emphasized the need for a SALT II agreement at the "earliest possible date." He said President-elect Carter has an "understanding of the urgency" of the problem, and he appeared to link a summit meeting with progress on this issue. The Tass reference to a summit is noteworthy in view of the dearth of such references in recent months.

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[redacted] For the moment, Moscow seems bent on conveying the notion that a certain level of amity is essential in Soviet-US relations if only to facilitate communications on issues affecting bilateral strategic relations. Brezhnev's support for contacts at the highest level also reflects Politburo support for summitry as essential to a careful management of relations.

[redacted]

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CHILE: New Ambassador to US

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[] Chile's ambassador-designate to the US, Jorge Cauas, has been the most powerful civilian figure in Chile since April 1975, when he was given "super minister" status in economic affairs. He was responsible for formulating the economic recovery program that has been in effect for more than two years.

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[] Cauas' stringent measures have been unpopular because of their severity and the adverse impact they have had on Chile's poor and middle class. Some military officers have not favored Cauas' policies, but he has bluntly defended his program, which has enjoyed a measure of success.

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[] Cauas' achievement is due in no small measure to his own competence and to his access to President Pinochet.

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[REDACTED] The timing of Cauas' assignment to Washington--coupled with Chile's recent release of prisoners--indicates that the Chilean government hopes to get a fresh start with the incoming US administration. Of perhaps equal importance is Chile's apparent desire to have in Washington an articulate advocate who will not merely parrot the official line.

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[REDACTED] The ambassador-designate's economic background will give him easy entree with international lending institutions.

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[REDACTED]

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